

VILLAGE OF ROSEBUSH
Isabella County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended June 30, 2008

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* ROSEBUSH	County* ISABELLA	Type* VILLAGE	MuniCode* 37-3-010
Opinion Date-Use Calendar* 9-13-2008	Audit Submitted-Use Calendar* 10-13-2008	Fiscal Year End Month* 06	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

- ☒ ☐ 1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
- ☒ ☐ 2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
- ☒ ☐ 3. Were the local unit's actual expenditures within the amounts authorized in the budget?
- ☒ ☐ 4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
- ☒ ☐ 5. Did the local unit adopt a budget for all required funds?
- ☒ ☐ 6. Was a public hearing on the budget held in accordance with State statute?
- ☒ ☐ 7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
- ☒ ☐ 8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
- ☒ ☐ 9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
- ☒ 10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
- ☒ ☐ 11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
- ☒ ☐ 12. Is the local unit free of repeated reported deficiencies from previous years?
- ☒ ☐ 13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? _____
- ☒ 15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
- ☒ ☐ 16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
- ☒ ☐ 17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
- ☐ ☐ 18. Are there reported deficiencies? ☐ 19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="checkbox"/> \$ 75,674.88
General Fund Expenditure:	<input type="checkbox"/> \$ 63,406.03
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	<input type="checkbox"/> \$ 220,605.51
Governmental Activities Long-Term Debt (see instructions):	<input type="checkbox"/> \$ 0.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* MARK	Last Name* CAMPBELL	Ten Digit License Number* 1101007803
CPA Street Address* 512 N. LINCOLN, STE 100	City* BAY CITY	State* MI Zip Code* 48708 Telephone* +1 (989) 894-1040
CPA Firm Name* CAMPBELL, KUSTERER	Unit's Street Address* 4029 MISSION ROAD	Unit's City* ROSEBUSH Unit's Zip* 48878

VILLAGE OF ROSEBUSH
Isabella County, Michigan

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2-4
Basic Financial Statements:	
Government-wide Financial Statements:	
Government-wide Statement of Net Assets	5
Government-wide Statement of Activities	6
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	7
Reconciliation of Balance Sheet of Governmental Fund to the Statement of Net Assets	8
Statement of Revenues, Expenditures, and Changes in Fund Balances	9
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund to the Statement of Activities	10
Business Type Funds:	
Statement of Net Assets	11
Statement of Revenues, Expenditures and Changes in Net Assets	12
Statement of Cash Flows	13
Notes to Financial Statements	14-18
Required Supplemental Information:	
Budgetary Comparison Schedule – General Fund	19
Budgetary Comparison Schedule – Major Street Fund	20
Budgetary Comparison Schedule – Local Street Fund	21
Other Supporting Information:	
General Fund Expenditures by Detailed Account	22

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

September 13, 2008

To the Village Council
Village of Rosebush
Isabella County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Village of Rosebush, Isabella County, Michigan as of and for the year ended June 30, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of Rosebush's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities the business-type activities and each major fund of the Village of Rosebush, Isabella County, Michigan as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Village's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

VILLAGE OF ROSEBUSH
Isabella County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2008

The Management's Discussion and Analysis report of the Village of Rosebush covers the Village's financial performance during the year ended June 30, 2008.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at June 30, 2008 totaled \$544,736.75 for governmental activities and \$650,808.31 for business-type activities.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Village and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present government activities.

The remaining statements are fund financial statements, which focus on individual parts of the Village in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Village as a whole using accounting methods used by private companies. The statement of net assets includes all of the Village's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Village are reported as governmental and business type activities. These activities include the General Fund, the Major Street Fund, the Local Street Fund, and the Sewer Fund.

VILLAGE OF ROSEBUSH
Isabella County, Michigan
CONDENSED FINANCIAL INFORMATION
For the year ended June 30, 2008

	Governmental Activities 2007	Governmental Activities 2008	Business-type Activities 2007	Business-type Activities 2008	Total 2007	Total 2008
Current Assets	524 323	532 505	35 542	47 811	559 865	580 316
Capital Assets	12 689	12 232	621 048	602 997	633 737	615 229
Total Assets	537 012	544 737	656 590	650 808	1 193 602	1 195 545
Current Liabilities	-	-	-	-	-	-
Non-current Liabilities	-	-	-	-	-	-
Total Liabilities	-	-	-	-	-	-
Net Assets:						
Invested in Capital Assets	12 689	12 232	621 048	602 997	633 737	615 229
Unrestricted	524 323	532 505	35 542	47 811	559 865	580 316
Total Net Assets	537 012	544 737	656 590	650 808	1 193 602	1 195 545
	Governmental Activities 2007	Governmental Activities 2008	Business-type Activities 2007	Business-type Activities 2008	Total 2007	Total 2008
Program Revenues:						
Fees and Charges for Services	18 073	18 023	30 536	42 014	48 609	60 037
Capital Grants and Contributions	-	-	181 150	-	181 150	-
General Revenues:						
Property Taxes	23 432	24 909	-	-	23 432	24 909
State Revenue Sharing	65 437	64 732	-	-	65 437	64 732
Interest	6 437	6 783	5 878	115	12 315	6 898
Miscellaneous	100 912	166	-	-	100 912	166
Total Revenues	214 291	114 613	217 564	42 129	431 855	156 742
Program Expenses:						
Legislative	2 282	2 000	-	-	2 282	2 000
General Government	22 067	31 922	-	-	22 067	31 922
Public Safety	6 998	7 060	-	-	6 998	7 060
Public Works	54 545	65 906	-	-	54 545	65 906
Sewer	-	-	42 209	47 911	42 209	47 911
Total Expenses	85 892	106 888	42 209	47 911	128 101	154 799
Increase (Decrease) in Net Assets	128 399	7 725	175 355	(5 782)	303 754	1 943
Net Assets, July 1	408 613	537 012	481 235	656 590	889 848	1 193 602
Net Assets, June 30	537 012	544 737	656 590	650 808	1 193 602	1 195 545

VILLAGE OF ROSEBUSH
Isabella County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2008

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Village's funds, focusing on significant (major) funds not the Village as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Village Council also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Village has the following types of funds:

Governmental Funds: Most of the Village's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Village's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Village's governmental funds include the General Fund, the Major Street Fund, and the Local Street Fund.

Business-Type Funds: The Village has a Sewer Fund which is reported as a business-type fund.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

The Village's net assets for governmental and business-type activities increased by \$1,942.41 for the fiscal year ended June 30, 2008.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

General Fund: This fund is used to record all activities of the Village not required to be in a separate fund. This would include building and grounds, legislative, administrative and elections. The major source of revenue for the general fund is from the Village tax base and the revenue sharing from the State of Michigan.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Village of Rosebush had \$0 in governmental and business type capital asset additions during the fiscal year ended June 30, 2008.

The Village of Rosebush had no long-term debt activity during the fiscal year ended June 30, 2008.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The Village does not have any known factors affecting future operations.

CONTACTING THE VILLAGE'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to demonstrate the accountability for the revenues it receives. If you have any questions concerning this report please contact the village treasurer by calling (989) 433-5845.

VILLAGE OF ROSEBUSH
Isabella County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
June 30, 2008

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
ASSETS:			
CURRENT ASSETS:			
Cash in bank	522 569 04	36 683 01	559 252 05
Due from State of Michigan	9 935 71	-	9 935 71
Accounts receivable	-	11 128 44	11 128 44
Total Current Assets	<u>532 504 75</u>	<u>47 811 45</u>	<u>580 316 20</u>
NON-CURRENT ASSETS:			
Capital Assets	28 074 00	1 186 672 14	1 214 746 14
Less: Accumulated Depreciation	<u>(15 842 00)</u>	<u>(583 675 28)</u>	<u>(599 517 28)</u>
Total Non-current Assets	<u>12 232 00</u>	<u>602 996 86</u>	<u>615 228 86</u>
TOTAL ASSETS	<u>544 736 75</u>	<u>650 808 31</u>	<u>1 195 545 06</u>
LIABILITIES AND NET ASSETS:			
LIABILITIES:			
CURRENT LIABILITIES	-	-	-
Total Current Liabilities	-	-	-
NON-CURRENT LIABILITIES	-	-	-
Total Non-current Liabilities	-	-	-
Total Liabilities	-	-	-
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	12 232 00	602 996 86	615 228 86
Unrestricted	<u>532 504 75</u>	<u>47 811 45</u>	<u>580 316 20</u>
Total Net Assets	<u>544 736 75</u>	<u>650 808 31</u>	<u>1 195 545 06</u>
TOTAL LIABILITIES AND NET ASSETS	<u>544 736 75</u>	<u>650 808 31</u>	<u>1 195 545 06</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF ROSEBUSH
Isabella County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended June 30, 2008

		<u>Program Revenue</u>	<u>Governmental Activities</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	2 000 00	-	(2 000 00)
General government	31 921 82	-	(31 921 82)
Public safety	7 061 48	-	(7 061 48)
Public works	<u>65 905 44</u>	<u>18 023 04</u>	<u>(47 882 40)</u>
Total Governmental Activities	<u>106 888 74</u>	<u>18 023 04</u>	<u>(88 865 70)</u>
Business -Type Activities:			
Sewer	<u>47 910 75</u>	<u>42 014 19</u>	<u>-</u>
Total Business-Type Activities	<u>47 910 75</u>	<u>42 014 19</u>	<u>-</u>
Total Government	<u>154 799 49</u>	<u>60 037 23</u>	<u>(88 865 70)</u>
General Revenues:			
Property taxes			24 908 66
State revenue sharing			64 732 48
Interest			6 783 13
Miscellaneous			<u>165 76</u>
Total General Revenues			<u>96 590 03</u>
Change in net assets			7 724 33
Net assets, beginning of year			<u>537 012 42</u>
Net Assets, End of Year			<u>544 736 75</u>

The accompanying notes are an integral part of these financial statements.

Business-Type Activities	Total
Net (Expense) Revenue and Changes in Net Assets	Net (Expense) Revenue and Changes in Net Assets
-	(2 000 00)
-	(31 921 82)
-	(7 061 48)
-	(47 882 40)
-	(88 865 70)
(5 896 56)	(5 896 56)
(5 896 56)	(5 896 56)
(5 896 56)	(5 896 56)
-	24 908 66
-	64 732 48
114 64	6 897 77
-	165 76
114 64	96 704 67
(5 781 92)	1 942 41
656 590 23	1 193 602 65
650 808 31	1 195 545 06

VILLAGE OF ROSEBUSH
Isabella County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2008

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total</u>
<u>Assets</u>				
Cash in bank	216 394 51	193 513 17	112 661 36	522 569 04
Due from State of Michigan	<u>4 211 00</u>	<u>4 634 53</u>	<u>1 090 18</u>	<u>9 935 71</u>
Total Assets	<u>220 605 51</u>	<u>198 147 70</u>	<u>113 751 54</u>	<u>532 504 75</u>
<u>Liabilities and Fund Equity</u>				
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	<u>220 605 51</u>	<u>198 147 70</u>	<u>113 751 54</u>	<u>532 504 75</u>
Total fund equity	<u>220 605 51</u>	<u>198 147 70</u>	<u>113 751 54</u>	<u>532 504 75</u>
Total Liabilities and Fund Equity	<u>220 605 51</u>	<u>198 147 70</u>	<u>113 751 54</u>	<u>532 504 75</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF ROSEBUSH
Isabella County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

June 30, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	532 504 75
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	28 074 00
Accumulated depreciation	<u>(15 842 00)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>544 736 75</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF ROSEBUSH
Isabella County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended June 30, 2008

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total</u>
Revenues:				
Property taxes	24 908 66	-	-	24 908 66
State revenue sharing	29 770 71	28 308 72	6 653 05	64 732 48
Interest	2 806 71	2 429 38	1 547 04	6 783 13
Special assessments	18 023 04	-	-	18 023 04
Miscellaneous	<u>165 76</u>	<u>-</u>	<u>-</u>	<u>165 76</u>
Total revenues	<u>75 674 88</u>	<u>30 738 10</u>	<u>8 200 09</u>	<u>114 613 07</u>
Expenditures:				
Legislative:				
Village Council	2 000 00	-	-	2 000 00
General government:				
President	600 00	-	-	600 00
Accounting	3 400 00	-	-	3 400 00
Attorney	354 00	-	-	354 00
Clerk	2 721 15	-	-	2 721 15
Treasurer	3 438 45	-	-	3 438 45
Village hall and grounds	17 062 31	-	-	17 062 31
Unallocated	3 888 91	-	-	3 888 91
Public safety:				
Fire protection	7 061 48	-	-	7 061 48
Public works:				
Highways and streets	-	21 475 13	21 550 58	43 025 71
Street lighting	5 284 19	-	-	5 284 19
Sanitation	<u>17 595 54</u>	<u>-</u>	<u>-</u>	<u>17 595 54</u>
Total expenditures	<u>63 406 03</u>	<u>21 475 13</u>	<u>21 550 58</u>	<u>106 431 74</u>
Excess (deficiency) of revenues over expenditures	12 268 85	9 262 97	(13 350 49)	8 181 33
Fund balances, July 1	<u>208 336 66</u>	<u>188 884 73</u>	<u>127 102 03</u>	<u>524 323 42</u>
Fund Balances, June 30	<u><u>220 605 51</u></u>	<u><u>198 147 70</u></u>	<u><u>113 751 54</u></u>	<u><u>532 504 75</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF ROSEBUSH
Isabella County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended June 30, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 8 181 33

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(457 00)
Capital Outlay	<u>-</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES 7 724 33

The accompanying notes are an integral part of these financial statements.

VILLAGE OF ROSEBUSH
Isabella County, Michigan

STATEMENT OF NET ASSETS – BUSINESS TYPE FUNDS
June 30, 2008

	<u>Sewer Fund</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	36 683 01
Accounts receivable	<u>11 128 44</u>
Total Current Assets	<u>47 811 45</u>
NONCURRENT ASSETS:	
Capital Assets	1 186 672 14
Less: Accumulated Depreciation	<u>(583 675 28)</u>
Total Noncurrent Assets	<u>602 996 86</u>
TOTAL ASSETS	<u><u>650 808 31</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	
Total Current Liabilities	<u>-</u>
Total Liabilities	<u>-</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	602 996 86
Unrestricted	<u>47 811 45</u>
Total Net Assets	<u>650 808 31</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>650 808 31</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF ROSEBUSH
Isabella County, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS –
BUSINESS TYPE FUNDS
Year ended June 30, 2008

	<u>Sewer Fund</u>
OPERATING REVENUES:	
Charges for Services:	
Service charges	<u>42 014 19</u>
Total Operating Revenues	<u>42 014 19</u>
OPERATING EXPENSES:	
Salaries and wages	5 372 04
Utilities	3 079 69
Contracted services	21 007 58
Miscellaneous	<u>400 00</u>
Total Operating Expenses	<u>29 859 31</u>
Operating Income (Loss) before depreciation	12 154 88
Less: Depreciation	<u>(18 051 44)</u>
Operating income (loss)	<u>(5 896 56)</u>
NON-OPERATING REVENUES (EXPENSES):	
Interest income	<u>114 64</u>
Total Non-operating Revenues (Expenses)	<u>114 64</u>
Change in net assets	(5 781 92)
Net assets, beginning of year	<u>656 590 23</u>
Net Assets, End of Year	<u><u>650 808 31</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF ROSEBUSH
Isabella County, Michigan

STATEMENT OF CASH FLOWS – BUSINESS TYPE FUNDS
Year ended June 30, 2008

	<u>Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	42 495 33
Cash payments to suppliers for goods and services	(24 487 07)
Cash payments to employees for services	<u>(5 372 04)</u>
Net cash provided (used) by operating activities	<u>12 636 02</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	<u>114 64</u>
Net cash provided (used) by investing activities	<u>114 64</u>
Net increase (decrease) in cash	12 750 66
Cash beginning of year	<u>23 932 35</u>
Cash End of Year	<u><u>36 683 01</u></u>
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Income (loss) from operations	(5 896 56)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:	
Depreciation	18 051 44
(Increase) decrease in receivables	<u>481 14</u>
Net Cash Provided (Used) in Operating Activities	<u><u>12 636 02</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF ROSEBUSH
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Village of Rosebush, Isabella County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Village contain all the Village funds that are controlled by or dependent on the Village's executive or legislative branches.

The reporting entity is the Village of Rosebush. The Village is governed by an elected Village Council. As required by generally accepted accounting principles, these financial statements present the Village as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Village's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

VILLAGE OF ROSEBUSH
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise fund are charges to customers for services. The enterprise fund also recognizes as operating revenues the tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Village. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on September 14 with the final collection date of September 30 before they are added to the county tax rolls. The Village 2007 tax roll millage rate was 3.00 mills, and the taxable value was \$8,222,496.00.

VILLAGE OF ROSEBUSH
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Village as assets with an initial cost of more than \$500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	50 years
Furniture and equipment	5-25 years

Compensated Absences (Vacation and Sick Leave)

Village employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Village provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Village Council for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Village Council.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Village Council.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Village Council during the fiscal year.

VILLAGE OF ROSEBUSH
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Village to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Village Council has designated one bank for the deposit of Village funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Village's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>559 252 05</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	100 000 00
Uninsured and Uncollateralized	<u>459 252 05</u>
Total Deposits	<u>559 252 05</u>

The Village of Rosebush did not have any investments as of June 30, 2008.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Village manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The investment policy of the Village contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

VILLAGE OF ROSEBUSH
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 3 – Deposits and Investments (continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Village's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Village's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Note 4 – Capital Assets

Capital asset activity of the Village's Governmental and Business type activities for the current year was as follows:

	Balance 7/1/07	Additions	Deletions	Balance 6/30/08
<u>Governmental Activities:</u>				
Buildings	23 771 00	-	-	23 771 00
Equipment	4 303 00	-	-	4 303 00
Total	28 074 00	-	-	28 074 00
Accumulated Depreciation	(15 385 00)	(457 00)	-	(15 842 00)
Net Governmental Capital Assets	12 689 00	(457 00)	-	12 232 00
<u>Business Type Activities:</u>				
Sewer Systems	1 186 672 14	-	-	1 186 672 14
Accumulated Depreciation	(565 623 84)	(18 051 44)	-	(583 675 28)
Net Business Type Capital Assets	621 048 30	(18 051 44)	-	602 996 86

Note 5 – Deferred Compensation Plan

The Village does not have a deferred compensation plan.

Note 6 – Retirement Plan

The Village does not have a retirement plan.

Note 7 – Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Village has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

The Village does not issue building permits.

VILLAGE OF ROSEBUSH
Isabella County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	29 200 00	29 200 00	24 908 66	(4 291 34)
State revenue sharing	35 000 00	35 000 00	29 770 71	(5 229 29)
Interest	3 000 00	3 000 00	2 806 71	(193 29)
Rents	1 000 00	1 000 00	-	(1 000 00)
Special assessments	19 000 00	19 000 00	18 023 04	(976 96)
Miscellaneous	1 900 00	1 900 00	165 76	(1 734 24)
Total revenues	<u>89 100 00</u>	<u>89 100 00</u>	<u>75 674 88</u>	<u>(13 425 12)</u>
Expenditures:				
Legislative:				
Village Council	3 500 00	3 500 00	2 000 00	(1 500 00)
General government:				
President	1 000 00	1 000 00	600 00	(400 00)
Elections	1 500 00	1 500 00	-	(1 500 00)
Accounting	4 000 00	4 000 00	3 400 00	(600 00)
Attorney	14 000 00	5 000 00	354 00	(4 646 00)
Clerk	4 100 00	4 100 00	2 721 15	(1 378 85)
Treasurer	4 100 00	4 100 00	3 438 45	(661 55)
Village hall and grounds	9 000 00	18 000 00	17 062 31	(937 69)
Unallocated	11 400 00	11 400 00	3 888 91	(7 511 09)
Public safety:				
Fire protection	8 000 00	8 000 00	7 061 48	(938 52)
Public works:				
Street lighting	6 000 00	6 000 00	5 284 19	(715 81)
Drains	3 500 00	3 500 00	-	(3 500 00)
Sanitation	19 000 00	19 000 00	17 595 54	(1 404 46)
Total expenditures	<u>89 100 00</u>	<u>89 100 00</u>	<u>63 406 03</u>	<u>(25 693 97)</u>
Excess of revenues over expenditures	-	-	12 268 85	12 268 85
Fund balance, July 1	-	-	208 336 66	208 336 66
Fund Balance, June 30	<u>-</u>	<u>-</u>	<u>220 605 51</u>	<u>220 605 51</u>

VILLAGE OF ROSEBUSH
Isabella County, Michigan

BUDGETARY COMPARISON SCHEDULE – MAJOR STREET FUND
Year ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
State revenue sharing	30 000 00	30 000 00	28 308 72	(1 691 28)
Interest	2 500 00	2 500 00	2 429 38	(70 62)
Miscellaneous	<u>1 500 00</u>	<u>1 500 00</u>	<u>-</u>	<u>(1 500 00)</u>
Total revenues	<u>34 000 00</u>	<u>34 000 00</u>	<u>30 738 10</u>	<u>(3 261 90)</u>
Expenditures:				
Public works:				
Highways and streets	<u>34 000 00</u>	<u>34 000 00</u>	<u>21 475 13</u>	<u>(12 524 87)</u>
Total expenditures	<u>34 000 00</u>	<u>34 000 00</u>	<u>21 475 13</u>	<u>(12 524 87)</u>
Excess of revenues over expenditures	-	-	9 262 97	9 262 97
Fund balance, July 1	<u>-</u>	<u>-</u>	<u>188 884 73</u>	<u>188 884 73</u>
Fund Balance, June 30	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>198 147 70</u></u>	<u><u>198 147 70</u></u>

VILLAGE OF ROSEBUSH
Isabella County, Michigan

BUDGETARY COMPARISON SCHEDULE – LOCAL STREET FUND
Year ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
State revenue sharing	7 800 00	7 800 00	6 653 05	(1 146 95)
Interest	850 00	850 00	1 547 04	697 04
Miscellaneous	<u>1 500 00</u>	<u>1 500 00</u>	<u>-</u>	<u>(1 500 00)</u>
Total revenues	<u>10 150 00</u>	<u>10 150 00</u>	<u>8 200 09</u>	<u>(1 949 91)</u>
Expenditures:				
Public works:				
Highways and streets	<u>10 150 00</u>	<u>22 150 00</u>	<u>21 550 58</u>	<u>(599 42)</u>
Total expenditures	<u>10 150 00</u>	<u>22 150 00</u>	<u>21 550 58</u>	<u>(599 42)</u>
Excess (deficiency) of revenues over expenditures	-	(12 000 00)	(13 350 49)	(1 350 49)
Fund balance, July 1	<u>-</u>	<u>12 000 00</u>	<u>127 102 03</u>	<u>115 102 03</u>
Fund Balance, June 30	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>113 751 54</u></u>	<u><u>113 751 54</u></u>

VILLAGE OF ROSEBUSH
Isabella County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT

Year ended June 30, 2008

Village Council:	
Salary	<u>2 000 00</u>
President:	
Salary	<u>600 00</u>
Accounting	<u>3 400 00</u>
Attorney	<u>354 00</u>
Clerk:	
Salary	2 376 00
Office supplies	<u>345 15</u>
	<u>2 721 15</u>
Treasurer:	
Salary	2 700 00
Postage	250 80
Miscellaneous	<u>487 65</u>
	<u>3 438 45</u>
Village hall and grounds:	
Repairs and maintenance	8 904 34
Utilities	2 535 00
Insurance	3 270 00
Miscellaneous	<u>2 352 97</u>
	<u>17 062 31</u>
Unallocated:	
Community promotion	1 974 37
Social security	910 85
Miscellaneous	<u>1 003 69</u>
	<u>3 888 91</u>
Fire protection	<u>7 061 48</u>
Street lighting	<u>5 284 19</u>
Sanitation	<u>17 595 54</u>
Total Expenditures	<u><u>63 406 03</u></u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

September 13, 2008

To the Village Council
Village of Rosebush
Isabella County, Michigan

We have audited the financial statements of the Village of Rosebush for the year ended June 30, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Village of Rosebush in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Village Council
Village of Rosebush
Isabella County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

The Village's system of internal control is affected by the size of the staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Village cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Village Council Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Village's financial statements and this communication of these matters does not affect our report on the Village's financial statements, dated June 30, 2008.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,


CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants